GST ISSUES IN JOB WORK TRANSACTIONS & GOODS SENT ON APPROVAL

29th June, 2021

CASE STUDY 1

M/s XYZ Pvt. Ltd. undertakes various job-work arrangements with the customers for coating and/or printing tin-plate or aluminium sheets. There are various customers and the activity carried out by M/s XYZ Pvt. Ltd. can be bifurcated as follows:

a) **All Inputs received from customer –** All inputs i.e. Tin-plate / Aluminium Sheet, Coating materials (in case of coating work) and Ink (in case of printing work) are supplied by customer.

b) **Partial Inputs from customer –** Tin-plate / Aluminium Sheet and Coating materials are provided by customer, whereas Ink is supplied by M/s XYZ Pvt. Ltd. The approximate value of cost of materials used by Job worker in the processing is in the range of 5% to 15%.

c) **Only Tin-plate / Aluminium Sheet from customer –** Tin-plate / Aluminium Sheet are provided by customer, whereas Coating material and Ink is supplied by applicant. The approximate value of cost of materials used by Job Worker in the processing is in the range of 10% to 20%.

M/s XYZ Pvt. Ltd. wants to know whether the above stated activities amounts to "job work". The customers of M/s XYZ Pvt. Ltd. include both registered as well as unregistered persons.

- **Definition of “Job Work” – Section 2(68) of CGST Act, 2017**

(68) “job work” means any treatment or process undertaken by a person on goods belonging to another registered person and the expression “job worker” shall be construed accordingly;

- **CBIC Circular No. 38/12/2018 dated 26-03-2018**

5. Scope/ambit of job work: Doubts have been raised on the scope of job work and whether any inputs, other than the goods provided by the principal, can be used by the job worker for providing the services of job work. It may be noted that the definition of job work, as contained in clause (68) of section 2 of the CGST Act, entails that the job work is a treatment or process undertaken by a person on goods belonging to another registered person. Thus, the job worker is expected to work on the goods sent by the principal and whether the activity is covered within the scope of job work or not would have to be determined on the basis of facts and circumstances of each case. ***Further, it is clarified that the job worker, in addition to the goods received from the principal, can use his own goods for providing the services of job work.***

Prestige Engineering (India) Ltd. 1994 (73) ELT 497 (SC)

17. Sri Vellapally, learned counsel for the Revenue - and the Special Bench of the CEGAT - is, therefore, right in pointing out the said defect in the reasoning of the Calcutta and Gujarat High Courts and in saying that the expression "manufactured" in the Notification should be understood as defined in the Act. At the same time, we find it difficult to agree with the learned counsel that the expression "manufacture" contemplated by the Notification is confined to those processes alone which are "incidental or ancillary to the completion of manufactured product" - processes contemplated by clause (i) of Section 2(f). We do not see any warrant for restricting the meaning of the expression "manufactured" occurring in the Notification only to the aforesaid processes. In our opinion, the stress in the Notification is rather upon the word "job work". Now, what does the expression `job work' mean? On this question, the Explanation is not of much assistance. The Concise Oxford Dictionary assigns several meanings to the expression `job' but the relevant meaning having regard to the present context is "a piece of work especially one done for hire or profit".

Prestige Engineering (supra) …..contd.

The expression `job work' is assigned the following meaning : "work done and paid for the job". The Notification, it is evident, was conceived in the interest of small manufacturers undertaking job-works. The idea behind the Notification was to help the job-workers - persons who contributed mainly their labour and skill, though done with the help of tools, gadgets or machinery, as the case may be. The Notification was not intended to benefit those who contributed their own material to the articles supplied by the customer and manufactured different goods. ***We must hasten to add that addition or application of minor items by the job-worker would not detract from the nature and character of his work. For example, a tailor entrusted with a cloth piece and asked to stitch a shirt, a pant or a suit piece may add his own thread, buttons and lining cloth. Similarly, a factory may be supplied the shoe uppers, soles etc. by the customer and the factory applies its own thread or bonding material and manufactures shoes therefrom and supplies them back to the customer, charging only for its work. The nature of its work does not cease to be job-work.*** *Indeed, this aspect has been stressed in all the decisions of High Courts referred to hereinbefore.*

- **Notification No. 11/2017-CT (R) dated 28-06-2017 (as amended)**

Sr. No.	Chapter Heading	Description of Service	Rate (Percent)	Condition
26	**Heading 9988** (Manufacturing services on physical inputs (goods) owned by others)	(id) Services by way of job work other than (i), (ia), (ib) and (ic) above	12	-
		[(iv) Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), [(ib), (ic), (id),] (ii), (iia) and (iii) above.	18	-

Circular No. 126/45/2019-GST dated 22-11-2019

4. In view of the above, it may be seen that there is a clear demarcation between scope of the entries at item (id) and item (iv) under heading 9988 of Notification No. 11/2017-Central Tax (Rate) dated 28-06-2017. Entry at item (id) covers only job work services as defined in section 2 (68) of CGST Act, 2017, that is, services by way of treatment or processing undertaken by a person on goods belonging to another ***registered****.* ***On the other hand, the entry at item (iv) specifically excludes the services covered by entry at item (id), and therefore, covers only such services which are carried out on physical inputs (goods) which are owned by persons other than those registered under the CGST Act.***

CASE STUDY 2

M/s ABC Pvt. Ltd. is a manufacturer of goods. The company has appointed M/s PQR Pvt. Ltd. for doing job work. Both the parties are related as one is holding company of the other. ABC sends coal for job work activity to PQR. PQR uses these materials along with other materials like water, air to generate electricity which is supplied back to ABC. The company approached AAR for an advance ruling.

As per the company, the activity carried out by PQR is a job work activity. However, AAR held that since electricity manufactured out of coal, air and water is a completely new product hence it amounts to manufacturing and is therefore not a job work activity. AAR further held that since ABC and PQR are related parties, the supply of goods by ABC to PQR will be subject to tax even if it is without any consideration.

In appeal, AAAR also held that the activity does not amount to 'job work' however on a completely different ground i.e. that PQR has used its own materials. The company wishes to challenge the order before Hon'ble High Court.

Issues for discussion –

a) Whether the stand taken by AAR is correct?

a) Whether the order of AAAR can be challenged before High Court on merits?

- **Definition of "Job Work" – Section 2(68) of CGST Act, 2017**

(68) "job work" means ***any treatment or process undertaken*** *by a person on goods belonging to another registered person and the expression "job worker" shall be construed accordingly;*

- **Definition of "Manufacture" – Section 2(72) of CGST Act, 2017**

(72) "manufacture" means ***processing of raw material or inputs*** *in any manner that results in emergence of a new product having a distinct name, character and use and the term "manufacturer" shall be construed accordingly;*

- **Chowgule & Co. Pvt. Ltd. 1993 (67) E.L.T. 34 (S.C.)**

6…..Wherever a commodity undergoes a change as a result of some operation performed on it or in regard to it, such operation would amount to processing of the commodity. The nature and extent of the change is not material….

- **JSW Energy Ltd. 2019 (27) G.S.T.L. 198 (Bom.)**

*17. **In Appropriate Authority and Another v. Smt. Sudha Patil and Anr. - (1999) 235 ITR 118 (S.C.), the Supreme Court has held that merely because no appeal is provided for, against the order of appropriate authority directing compulsory acquisition by the Government, the supervisory power of the High Court does not get enlarged nor can the High Court exercise an appellate power**.*

- **JSW Energy Ltd. 2019 (27) G.S.T.L. 198 (Bom.) ...contd.**

*18. **The principles of judicial review, normally do not concern themselves with the decision itself, but are mostly confined to the decision making process. Such proceedings are not an appeal against the decision in question, but a review of the manner in which such decision may have been made**. In judicial review, the Court sits in judgment over correctness of the decision making process and not on the correctness of the decision itself. In exercise of powers of judicial review, the Court is mainly concerned with issues like the decision making authority exceeding its jurisdictional limits, committing errors of law, acting in breach of principles of natural justice or otherwise arriving at a decision which is ex facie unreasonable or vitiated by perversity.*

*19. **In M/s. R.B. Shreeram Durga Prasad and Fatehchand Nursing Das v. Settlement Commission (IT & WT) and Anr. - (1989) 1 SCC 628, the Supreme Court was concerned with judicial review of the orders of Settlement Commission, which were alleged to have been made in breach of the principles of natural justice. The Supreme Court emphasized that principles of natural justice would certainly apply in such matters and the Settlement Commission was duty bound to adopt procedure consistent with such principles.***

- **JSW Energy Ltd. 2019 (27) G.S.T.L. 198 (Bom.) ...contd.**

The Supreme Court, also held that in exercise of powers of judicial review of the decision of the Settlement Commission, the Court ought to be concerned with the legality of the procedure validity and not with the validity of the order itself*. The Supreme Court referred to observations of Lord Hailsham in Chief Constable of the North Wales Police v. Evans - (1982) 1 WLR 1155, in which it is held that judicial review is concerned not with the decision but with the decision making process.*

20. Therefore, in view of the aforesaid, we decline the invitation of Mr. Dada to go into the merits of the impugned orders, merely because the Statutes in question have not provided any further appeals in such matters. The challenge in this petition, will have to be examined by confining ourselves to the principles of judicial review, which, inter alia, will include the issue as to whether there has been a failure of natural justice at the appeal stage, thereby vitiating the decision making process leading to making of the impugned order dated 2nd July 2018.

- **Abbott Healthcare Pvt. Ltd. 2020 (34) G.S.T.L. 579 (Ker.)**

11. In my view, a finding as regards composite supply must take into account supplies as effected at a given point in time on "as is where is" basis. In particular instances where the same taxable person effects a continuous supply of services coupled with periodic supplies of goods/services to be used in conjunction therewith, one could possibly view the periodic supply of goods/services as composite supplies along with the service that is continuously supplied over a period of time. These, however, are matters that will have to be decided based on the facts in a given case and not in the abstract as was done by the AAR. I therefore allow the writ petition, by quashing Exts.P1 and P2 orders, and remit the matter back to the AAR for a fresh decision on the query raised before it by the petitioner company. The AAR shall pass fresh orders in the matter, based on the observations in this judgment, and after hearing the petitioner, within a period of six weeks from the date of receipt of a copy of this judgment.

UAE Exchange Centre Ltd. 2009 (236) E.L.T. 223 (Del.)

9. This brings us to the next limb of the preliminary objection as to whether in the facts and circumstances of the present case, we should exercise our writ jurisdiction. This would require us to look at the merits of the case. ***Before we do that, we would like to touch upon the well engrafted principles, with respect to, the exercise of writ jurisdiction by Courts, in such like, matters. Essentially, when superior courts exercise the power of judicial review in respect of orders, decisions or, as in the instant case, a ruling of administrative quasi-judicial authority or a judicial authority, it looks at the decision making process and not at the decision itself. A superior court is not expected to substitute its view with that of the authority whose decision is impugned before it as long as the view taken by the authority, is a plausible view which is free from errors of jurisdiction or errors apparent on the face of the record.*** *The statement of law on this aspect of the matter, in respect of a quasi-judicial authority, has been very aptly enunciated in the judgment of seven Judges of the Supreme Court in the case of* ***Ujjam Bai v. State of U.P., AIR 1962 SC 1621 at page 1629 (para 15) reads as follows*** *:-*

> *"where a quasi judicial authority has jurisdiction to decide a matter, it does not lose its jurisdiction by coming to a wrong conclusion, whether it is wrong in law or in fact."*

- **UAE Exchange Centre Ltd. 2009 (236) E.L.T. 223 (Del.) …..contd.**

9.1 It is now fairly well settled that superior courts can issue a writ of certiorari where there is an error of law which is apparent on the face of record as these are akin to errors of jurisdiction as against mere errors of law.

The statement of law in Halsburys Laws of England [4th Edition Vol. 1(1) Para 73 Page 127] best captures the accepted position in law

> *"Where upon the face of the proceedings themselves it appears that the determination of an inferior tribunal is wrong in law, certiorari to quash will be granted. Thus, it will be granted where a charge laid before magistrates, as stated in the information, does not constitute an offence punishable by the magistrates, or where it does not amount in law to the offence of which the accused is convicted, or where an order is made which is unauthorized by the findings of the magistrates, or is materially defective in form. Most of these cases are to be regarded as usurpations of jurisdiction; but it is settled that certiorari will also be granted to quash a determination for error of law on the face of the record although the error does not go to jurisdiction."*

UAE Exchange Centre Ltd. 2009 (236) E.L.T. 223 (Del.) …..contd.

9.3 ***The difficult part is as to how to differentiate between the error of law as against the error of jurisdiction as in most cases errors of law impinge upon the jurisdiction of the court.*** *However, this distinction has disappeared with the judgment of House of Lords in the case of Anisminic v. Foreign Compensation Commission, (1969) 2 AC 247 as also in O' Reelly v. Mackman, (1983) 2 AC 237 at Page 278. The position which has emerged is that, in so far as, errors of fact are concerned the Courts will quash a decision which is based on an erroneous but a decisive fact which goes to the root of jurisdiction, or is based on no evidence or is wrong, misunderstood or ignored. Similarly Courts would also quash decisions of the Tribunal which is a decisive error of law since all errors of law are considered as errors of jurisdiction (See : Administrative Law 8th Edition by H.W.R. Wade and C.F. Forsyth at Page 286).* ***What has, however, been accepted, is that, the Writ Courts in India have power to issue the writ of certiorari, in respect of, errors apparent on the face of the record committed by a subordinate Court or a Tribunal.***

Case Study 3

DEF Pvt. Ltd. (a principal) sent certain goods for job work activity to its job worker. The job worker could not return the goods within a period of 1 year and therefore DEF wants to pay tax on the same along with interest as per the provisions of section 143. DEF wants to know the value on which tax is payable. The company has shared the following relevant facts –

- Purchase price of goods Rs. 10,000 (excluding 28% GST)
- Purchase Commission paid – Rs. 500.
- Rs. 1,000 rent incurred for storing the goods
- Transportation cost incurred Rs. 150 for transporting the goods from vendor's premise to his factory and Rs. 100 for transporting from his promise to job worker's premise.

Now when the job worker is returning the goods back to the principal (after 1 year) on what value the tax will be paid ? The job charges for the services provided by job worker are Rs. 200. Whether such job charges will be separately taxed at 12% or whether it will be added in the value of goods and payable at 28% rate. Whether 10% (as per rule 30) is to be added on such value ?

Summary of questions raised by the company –

a) What will be the value on which tax is payable by DEF ?
b) As DEF and job worker are unrelated parties can the transaction value be Rs. 1 ?
c) What will be the value on which Job worker must pay the tax while returning the goods ?

- **Extract of CGST Rules, 2017**
- **27. Value of supply of goods or services where the consideration is not wholly in money.**
- **28. Value of supply of goods or services or both between distinct or related persons, other than through an agent.**
- **29. Value of supply of goods made or received through an agent.**
- **30. Value of supply of goods or services or both based on cost.**

Where the value of a supply of goods or services or both is not determinable by any of the preceding rules of this Chapter, the value shall be one hundred and ten percent of the cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services.

- **Extract of CGST Rules, 2017**

- **31. Residual method for determination of value of supply of goods or services or both.-**

Where the value of supply of goods or services or both cannot be determined under rules 27 to 30, the same ***shall be determined using reasonable means consistent with the principles*** *and the general provisions of section 15 and the provisions of this Chapter:*

Provided that in the case of supply of services, the supplier may opt for this rule, ignoring rule 30.

CASE STUDY 4

A job worker did not return goods within one year and hence the principal wishes to pay tax on the same along with interest (now in June 2021). The goods were sent on 1st August 2019 and has not been returned till date. The job worker is unregistered and wishes to take registration now.

Will the job worker be entitled to claim ITC of the tax charged by the principal for goods sent in Aug 2019 ?

The job worker also wishes to claim ITC of services received in in last 1 year like rent for the premises, accountant fees etc. which was not claimed as it was unregistered earlier. Can such ITC be claimed ?

- **Extract of CGST Rules, 2017**

- **18. Availability of credit in special circumstances.**

18. (1) Subject to such conditions and restrictions as may be prescribed-

(b) a person who takes registration under sub-section (3) of section 25 shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration;

- **Rule 36. Documentary requirements and conditions for claiming input tax credit.-**

[2]**[***(4) Input tax credit to be availed by a registered person in respect of invoices or debit notes, the details of which have not been* [5]**[***furnished***]** *by the suppliers under sub-section (1) of section 37* [6]**[***in FORM GSTR-1 or using the invoice furnishing facility***]***, shall not exceed* [7]**[***5 per cent.***]** *of the eligible credit available in respect of invoices or debit notes the details of which have been* [5]**[***furnished***]** *by the suppliers under sub-section (1) of section 37* [6]**[***in FORM GSTR-1 or using the invoice furnishing facility***]**.**]**

- **Extract of CGST Act, 2017**

- **Section 16. Eligibility and conditions for taking input tax credit.—**

(1) ***Every registered person shall****, subject to such conditions and restrictions as may be prescribed and in the manner specified in section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.*

Case Study 5

ABC Pvt. Ltd. is a manufacturer of footwear. The company has appointed M/s PQR (proprietorship firm) for activities of stitching shoes, polishing it and adding finishing touch. M/s PQR does not have its own premises and has its labour working under its supervision at the factory of ABC Pvt. Ltd. itself. M/s PQR is not using its own goods at all and is working only on the goods given by the principal i.e. shoe, stitching thread, polish etc. M/s PQR recovers charges on per man hour basis for the services provided.

The company approached AAR and pleaded that services of M/s PQR falls under job work and tax is payable at 5% as per Entry No. 26(i)(ea) of Notification no. 11/2017-CT (Rate). However, AAR observed that since M/s PQR is only providing labour and charging on per man hour basis, the activity is covered by manpower supply and does not classify as 'job work'. Accordingly, as per AAR, the activity will be chargeable at 18% rate.

The questions raised by the company is as follows:

a) Is the stand taken by AAR correct?

b) Will the answer change if job charges are recovered on per piece basis instead of per man hour basis?

Notification No. 11/2017-CT (R) dated 28-06-2017 (as amended)

Sr. No.	Chapter Heading	Description of Service	Rate (Percent)	Conditi on
26	**Heading 9988** (Manufacturing services on physical inputs (goods) owned by others)	(i) Services by way of job work in relation to- [(ea) manufacture of leather goods or footwear falling under Chapter 42 or 64 in the First Schedule to the Customs Tariff Act, 1975 (51of 1975) respectively;]	5	-

- **Radico Khaitan Ltd. 2019 (370) ELT 864 (Tri. – All.)**

11. In the case of Maruti Udyog v. CCE [2001 (134) E.L.T. 188 (Tri.-Del.)], it was observed that the terms and conditions of various work orders clearly spelt out a master and servant relationship between appellant on the one hand and the fabricators on the other as the ***appellants have right to tell the fabricators that what to do and how to do****.* ***In other words works have to be carried out under the total control and supervision of the assessee****. As such the fabricators are held to be hired labour and not independent manufacturer.*

Case Study 6

M/s XYZ Pvt. Ltd. sends yarn directly from vendor to Job Worker 1 (JW 1) for converting it into fabric. In that process, there is waste generated. Say for example, 100 kgs yarn is sent to JW 1, then he will convert it into fabric which will be 98 kgs and balance 2 kgs will be waste.

JW 1 then sends the same to Job worker 2 (JW 2) for dyeing & finishing activity. The process of dyeing and finishing is measured in meters. In this same example, JW 1 will send the goods (98 kgs) to JW 2 which will be measured as say 500 meters. In the process of dyeing and finishing, the fabric gets shrunk by 3% - 4%. Hence, against 500 meters, JW 2 will return 480 meters. There is no wastage in this process. After dyeing activity, the fabric is returned by the job worker to XYZ.

The following questions have been raised by XYZ –

a) The waste generated in process carried out by JW 1 is retained by the job worker himself as he wants to use it in his other business activity. XYZ has allowed the same. What is GST impact on this transaction ?

b) If the scrap generated in process carried out by JW 1 is lost by the job worker, what will be the impact under GST ?

c) If the scrap generated in process carried out by JW 1 is not marketable and has to be disposed off, what will be the impact under GST ?

d) What is GST impact of material shrunk in the process carried out by JW 2 ?

- **Section 143(5) of CGST Act, 2017**

143. Job work procedure.

(5) Notwithstanding anything contained in sub-sections (1) and (2), any waste and scrap generated during the job work may be supplied by the job worker directly from his place of business on payment of tax, if such job worker is registered, or by the principal, if the job worker is not registered.

Case Study 7

A principal engaged in the manufacture of exempted goods has sent some inputs to job worker. There is no ITC claimed by the principal on such inputs.

If the Job worker doesn't return the goods within 1 year, whether such principal will be liable to pay tax on the same as per section 143 despite the fact that no ITC has been claimed on the inputs ?

- **Rule 4(5) of Cenvat Credit Rules, 2004**

(5) [(a) (i) ***<u>The CENVAT credit on inputs shall be allowed even if any inputs as such or after being partially processed are sent to a job worker</u>*** *and from there subsequently sent to another job worker and likewise, for further processing, testing, repairing, re-conditioning or for the manufacture of intermediate goods necessary for the manufacture of final products or any other purpose, and it is established from the records, challans or memos or any other document produced by the manufacturer or the provider of output service taking the CENVAT credit that the inputs or the products produced therefrom are received back by the manufacturer or the provider of output service, as the case may be, within one hundred and eighty days of their being sent from the factory or premises of the provider of output service, as the case may be :*

Rule 4(5) of Cenvat Credit Rules, 2004 ….contd.

Provided that credit shall also be allowed even if any inputs are directly sent to a job worker without their being first brought to the premises of the manufacturer or the provider of output service, as the case may be, and in such a case, the period of one hundred and eighty days shall be counted from the date of receipt of the inputs by the job worker;

(ii) ….

(iii) ***<u>if the inputs or capital goods, as the case may be, are not received back within the time specified under sub-clause (i) or (ii), as the case may be, by the manufacturer or the provider of output service, the manufacturer or the provider of output service shall pay an amount equivalent to the CENVAT credit attributable to the inputs or capital goods, as the case may be, by debiting the CENVAT credit or otherwise, but the manufacturer or the provider of output service may take the CENVAT credit again when the inputs or capital goods, as the case may be, are received back in the factory or in the premises of the provider of output service</u>****.]*

- **Section 143(3) of CGST Act, 2017**

143. Job work procedure.

(3) Where the inputs sent for job work are not received back by the principal after completion of job work or otherwise in accordance with the provisions of clause (a) of sub-section (1) or are not supplied from the place of business of the job worker in accordance with the provisions of clause (b) of sub-section (1) within a period of one year of their being sent out, ***it shall be deemed that such inputs had been supplied by the principal*** *to the job worker on the day when the said inputs were sent out.*

Case Study 8

M/s ABC Pvt. Ltd. is a manufacturer and is located in the state of Maharashtra. The company has imported certain capital goods for the purpose of quality control and has sent to his job-worker in Chandigarh. The final product of the company is also being manufactured by some other job-worker located in Delhi. The goods are sent by job worker in Delhi to the second job-worker in Chandigarh for quality control test. The machinery imported by the company is very bulky and has a life of twenty years. The company is also having an agreement with the job-worker for conducting quality test for a period of 10 years.

M/s ABC would like to know whether there is any practical solution available or whether they have to mandatorily bring back the machinery from Chandigarh to Maharashtra after three years and again send it back under fresh job-work challan ?

- **Proviso to Section 143(1) of CGST Act, 2017**

143. Job work procedure.

(1)…..

Provided further that the period of one year and three years may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding one year and two years respectively.

Case Study 9

M/s ABC is located in Surat and has sent gold jewelry to a trader having his shop in Mumbai. The jewelry is sent on sale on approval basis on 1st January, 2021. As there was no confirmation from the shopkeeper even after 6 months, on 30th June 2021; M/s ABC raised a tax invoice as per the provisions of Section 31 of CGST Act and paid tax on the supply made.

On inquiry it has been found by the department, that the trader had further sold the gold jewelry to a customer in his shop in February, 2021 by adding his profit margin. M/s ABC was not aware about the sale made by the shopkeeper.

Now the department is asking M/s ABC to pay interest for the period February to June as the title in goods had already transferred to the shopkeeper in February when it was further sold to the end customer. Is the stand taken by the department correct?

- **Section 24(a) of Sale of Goods Act, 1930**

24. Goods sent on approval or "on sale or return".—When goods are delivered to the buyer on approval or "on sale or return" or other similar terms, the property therein passes to the buyer—

(a) when he signifies his approval or acceptance to the seller or ***does any other act adopting the transaction;***

(b) ….

- **Section 27 of Sale of Goods Act, 1930**

27. Sale by person not the owner.—Subject to the provisions of this Act and of any other law for the time being in force, where goods are sold by a person who is not the owner thereof and who does not sell them under the authority or with the consent of the owner, the buyer acquires no better title to the goods than the seller had, ***unless the owner of the goods is by his conduct precluded from denying the seller's authority to sell***

THANK YOU